(b) GIPSA has informed that in case of Oriental Insurance Company (OIC) out of its total re-insurance business placed, only one company namely Reliance National of Singapore has gone into liquidation.

(c) and (d) Against a recovery of.US $ 23.89 mm., only US $ 3.8 mln. is accepted by scheme of arrangement. OIC has also filed a recovery suit in Singapore for the entire amount plus interest thereafter till actual settlement.

Economy in recession

†1609. SHRI PYARELAL KHANDELWAL : Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that present crisis of recession is going to affect the all round development of the country;

(b) if so, the details of the areas to be affected from the said crisis and the estimated loss;

(c) whether it is also a fact that the measures adopted by Government have not been able to instill confidence in the general public; and

(d) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The Gross Domestic Product (GDP) at constant (1999-2000) prices grew at 7.9 per cent during April- June and at 7.6 per cent during July- September of 2008-09. The economy is not in recession since recession generally describes the state when two successive quarters experience contraction of GDP.

(c) and (d) To safeguard the economy against adverse impact of the global financial crisis, the Reserve Bank of India has taken measures *inter-alia* for reduction in Cash Reserve Ratio and Statutory Liquidity Ratio, reduction in repo and reverse repo rates and for liberalising access to external commercial borrowings. The Government has announced a fiscal package which includes additional plan expenditures, reduction in the ad valorem Cenvat rate and measures to support exports.

National Saving Scheme

1610. SHRI K. CHANDRAN PILLAI: Will the PRIME MINISTER be pleased to state:

(a) whether it is a fact that there was no revision of interest rate on deposit under the National Saving Scheme since the year 2003;

(b) if so, the interest paid on deposits for different periods under the scheme since 2003;

(c) whether it is also a fact that the Commercial Banks periodically enhanced the interest on deposits during this period;

(d) if so, the details thereof;

(e) whether Government is considering enhancement of interest on deposits under the National Saving Scheme;

†Original notice of the question was received in Hindi

(f) if so, the details thereof; and

(g) if not, the reason therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The National Savings Scheme, introduced with effect from 1st October 1992, has been discontinued with effect from 1st November 2002. No deposits can be made under the Scheme on or after 1st day of November 2002. However, the rate of interest payable on the deposits under this Scheme remain unchanged at the rate of 8 per cent per annum with effect from 1.3.2003.

(c) and (d) With effect from 22 October 1997, Reserve Bank of India has given freedom to commercial banks to fix their own interest rates on domestic term deposits of various maturities. As such, the rates of interest on deposits are being determined by the banks themselves with the prior approval of respective Board of Directors/Asset Liability Management Committee (ALCO). However, RBI regulates interest rates on savings bank, accounts and the current saving bank interest, which has remained unchanged at 3.5 per cent per annum from March 1, 2003.

(e) and (g) Question does not arise.

Committee on financial sector reforms

1611. SHRI RAJEEV SHUKLA: Will the PRIME MINISTER be pleased to state:

(a) whether Government's top level Committee on financial sector reforms has pointed out that the Reserve Bank of India (RBI) must cut interests quickly when inflation eases up;

(b) if so, whether according to the Chairman of the Committee, it is necessary as RBI raises rates when inflation is expected to exceed the objectives because growth exceeds the economy's potential;

(c) if so, what are the other main points suggested by the panel;

(d) to what extent these suggestions have been accepted; and

(e) to what extent the RBI has agreed to cut rates once the inflation is eased?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The High Level Committee on Financial Sector Reforms chaired by Prof. Raghuram G. Rajan in its report has stated as follows:-

"The RBI should formally have a single objective to stay close to a low inflation number, or within a range, in the medium term and move steadily to a single instrument, the short-term interest rate (repo and reverse repo) to achieve it.

The RBI should be as willing to cut rates when inflation is expected to fall below the objective so that the policy revives growth, as it is to raise rate when inflation is expected to exceed the objective because growth exceeds the economy's potential. It is in this way that the RBI can best support the objectives of growth and stability."

(**Source**: Chapter 1, page 5 of the aforesaid Report)

(c) The Recommendations of the Committee span over the areas of the macro-economic framework, broadening access to finance, levelling the playing field, creating more efficient markets, a growth-friendly regulatory environment and a robust infrastructure for credit.